

UNIVERSITI TEKNOLOGI MARA

**THE CORPORATIZATION OF SABAH
ELECTRICITY BOARD: CHANGES IN THE
BUDGETARY PROCESS**

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for the degree of
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Candidate's Declaration

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This topic has not been submitted to any other academic institution or non-academic institution for any other degree or qualification.

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ABSTRACT

Privatization is an important economic policy in Malaysia. Implemented for more than twenty years, its success and failure stories were responded to equivocally by the practitioners, policy makers, politicians, researchers, and the public at large. One of its critical success factors is the management of organizational change processes. The organizational change process is a complex phenomenon. In the process of privatization it involves the transformation of organization templates, from its public sector sphere to a commercial ethos. It is politically, psychologically, and socially intense, and results from coercive mechanisms as well as normative and mimetic processes. However, the organizational change process in a privatization context is also a 'taken for granted' phenomenon.

One of the areas involved in the process is changes in accounting practice, and this research is concerning management accounting practice, focusing on the budgetary process. As commercial and managerial concepts are particular interests of the privatization policy, accounting practice changes to suit the new environment. It can respond to a new regulatory regime, the nature of the organizational transformation process, and strategic purposes. To an extent, the failure of a privatized organization to compete might be traced to the failure of its accounting practice to change. Thus, this research recognizes accounting's potential to enhance organization visibility, to enhance organizational economic and social conceptualizations, and to facilitate behavior in an organizational social setting. In other words, accounting is not a neutral phenomenon, rather, it influences and is influenced by the organization's social processes.

However, the functioning and the change processes of accounting practice in an organizational social setting are not linear and straightforward. Therefore, as suggested by the literature, a sound methodology should be applied to carry out the investigation. As such, this research opts to carry out a case study at a corporatized government entity, Sabah Electricity Sendirian Berhad, to investigate the budgetary change phenomena. To capture the complexity of the phenomena, it employs a critical accounting approach, mainly informed by Jürgen Habermas' social thinking. Bearing in mind the necessity to consider the application of theory, methodology, and change efforts in such an investigation, this research employs Middle Range Thinking. This approach proved to be useful to tackle theoretical and methodological issues, and to facilitate organizational change efforts, at least for the case organization. To capture the abundance of budgetary information the research takes into account the context, the content, and the process of the phenomena.

The investigation can be divided into three periods, demonstrating distinguishable organizational contexts, contents and processes. These periods revealed resistance towards accounting change effort, despite the intention to inculcate commercial and new managerial concepts. The resistance was traceable to embedded public sector values, beliefs, culture, mission, and metarules. However the accelerated use of accounting information (budgetary information in this case) facilitated the change effort. This research presents the positive consequences for the financial performance of the organization during the third period of the investigation.

Central to the effort to change the budgetary process was the leadership role played by the new Managing Director, who is himself an accountant and took over the position in June 2003. This research analyses his leadership role through the framework of 'Levers of Control'. It demonstrates the importance of considering leadership issues in the privatization decision. The strategic uses of the budgetary process enhanced organization visibility, quantified economic processes, and facilitating organization improvements, particularly in the area of financial and operational performances. The results were better during the third period as compared to the first two periods.

Changes in the budgetary process appeared more in the form of managerial process as compared to its technical conception. Furthermore, for some members, those changes were forceful and coercive rather than voluntary. They managed to change certain aspects of the organization's design archetype and sub-systems, but failed to impose changes on the interpretive schemes. Therefore, it is concluded that the changes were 'rebuttal' in nature and could be classified as first order types of change. As such, the need for further research is suggested, on how long it takes to ensure a change program penetrates into the most abstract organization structure, the interpretive schemes. Another research area could be on the quality a leader should possess to ensure the success of organizational and accounting change processes.

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